

NEWS

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Government Files Suit Against Former Cendant Vice Chairman Seeking \$30 Million in Fraudulently Transferred Assets

(More)

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NEWARK – The government today filed civil charges against former Cendant Corp. Vice Chairman E. Kirk Shelton and 10 individuals, straw companies and trusts that received the fraudulent transfer of assets totaling more than \$30 million, U.S. Attorney Christopher J. Christie announced.

The asset transfers occurred shortly after Shelton learned that he would be potentially liable for hundreds of millions of dollars in damages caused by his role in the massive accounting and securities fraud perpetrated under his direction and that of former Cendant Chairman Walter A. Forbes. When the fraud was publicly revealed by the company in 1998, Cendant lost \$14 billion in market value in a single day.

The 40-page civil suit was filed in Hartford, Conn. and was assigned to U.S. District Judge Alvin W. Thompson, the judge who in September 2005 sentenced Shelton to 10 years in prison and ordered him to pay \$3.25 billion in restitution to Cendant for his conspiracy and securities fraud convictions.

Forbes, in the second retrial (third trial) of the charges against him, was convicted in federal court in Bridgeport, Conn., on Oct. 31, 2006, of conspiracy and making false statements to the Securities and Exchange Commission. During the trial, the government presented evidence that Forbes himself made real estate transfers to shield assets by transferring them to his wife and children.

“We are dogged in our determination to do whatever we can to recover every dollar Shelton and Forbes stole from Cendant shareholders,” said Christie. “These were fraudulent transfers done with Shelton’s knowledge that justice was catching up to him, and that the years of accounting fraud that he and Forbes perpetuated was finally unraveling.”

The charges filed today describe a series of transactions through which Shelton established straw companies and transferred more than \$22 million in personal assets to those companies within days of learning that Cendant would be pursuing him for the billions of dollars of damages he caused. The complaint further alleges that Shelton transferred ownership of the straw companies to trusts established by the law firm representing Shelton in the civil lawsuits filed by Cendant shareholders in the days following the public disclosure of Cendant’s accounting problems.

Additionally, the complaint details numerous transfers made by Mr. Shelton to his wife, sister and several other close family members totaling more than \$5.5 million, according to Assistant U.S. Attorney John Silbermann, who filed the suit on behalf of the government.

The total amount sought by the government is \$37.8 million. That amount includes the

approximately \$30 million fraudulently transferred by Shelton, plus \$7.8 million subsequently re-transferred among the insiders named in the lawsuit.

Shelton is currently free on bail as he appeals his convictions and sentence. Sentencing for Forbes is currently scheduled for Jan. 17 before U.S. District Judge Alan H. Nevas in Bridgeport, Conn.

The government is represented in the civil suit by Assistant U.S. Attorney Silbermann of the Financial Litigation Unit of the U.S. Attorney's Civil Division in Newark.

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